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IN THE

# Supreme Court of the United States

EBAY INC. AND HALF.COM, INC.,
*Petitioners*,

v.

MERCEXCHANGE, L.L.C.
*Respondent*.

**On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit**

## BRIEF *AMICI CURIAE* OF MARTIN COOPER, RAYMOND DAMADIAN, LEROY HOOD, NATHAN MYHRVOLD, ROBERT RINES, BURT RUTAN, JAMES WEST, 14 OTHER INVENTORS, AND INTELLECTUAL VENTURES IN SUPPORT OF RESPONDENT

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## INTEREST OF *AMICI CURIAE*

*Amici* are inventors of many of the most important technological advances in modern times.[1] Some are members of the National Inventors Hall of Fame, whose inductees include just over 200 of the top inventors with a United States patent, from the eighteenth century to today. Others are leaders in their respective industries. They all understand that the patent system has played a vital role in this country's unparalleled tradition of innovation, and that the right to injunctive relief has been—and remains—necessary to protect a patentee's right to exclude. They are concerned that a contrary decision by this Court will stifle innovation by devaluing the incentive to invent.

The contributions of some of the *amici* are described below. Martin Cooper invented the cell phone. Dr. Raymond Damadian, a Hall of Fame member, invented magnetic resonance imaging (MRI). Dr. James Fergason, another Hall of Fame member, invented liquid crystal displays (LCDs). The inventions of Dr. Leroy Hood, a co-founder and president of the non-profit research center Institute for Systems Biology, include the DNA sequencer and other tools that have provided the technical foundations for molecular biology. Dr. Paul MacCready invented, among other things, the first human-powered flying machine. His many awards include Engineer of the Century from the American Society of Mechanical Engineers. Dr. Robert Rines, the inventor of sonar, high-definition radar, and the sonogram, among other innovations, is also a member of the Hall of Fame. Burt Rutan is one of the world's preeminent aircraft designers. His SpaceShipOne won the Ansari X prize in 2004 by becoming the first reusable private aircraft to travel into

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[1] No counsel for a party authored this brief in whole or in part, and no person other than *amici curiae* and their counsel has made a monetary contribution toward its preparation or submission. Petitioners and respondent have filed blanket letters of consent to file with the clerk.

space. Hall of Fame member James West, who holds over 200 patents, invented the modern-day microphone, called the electret microphone.

Dr. Nathan Myhrvold, the former Chief Technology Officer of Microsoft, was a postdoctoral fellow in quantum physics working in the laboratory of Dr. Stephen Hawking before becoming an entrepreneur. He is co-founder and CEO of Intellectual Ventures. Intellectual Ventures believes that innovation by itself is a fundamental goal. Intellectual Ventures provides inventors with necessary research tools and funding, develops inventions internally, and buys and licenses inventions from others.

A full list of the *amici* appears in the Appendix.

## SUMMARY OF ARGUMENT

The incentive to innovate is fundamental to the patent system. The Constitution guarantees, and Congress has provided, a patent regime that rewards the first person to invent. From the Constitutional Convention itself, our nation has embraced the concept that a patent's right to exclude encourages people to discover new and useful ideas. Our nation has prospered, and continues to prosper, in no small part because of independent inventors who acted on those incentives like Morse, Edison, and Farnsworth. For them, no less than for present-day independent inventors, Congress created a system that encourages disclosure to the public of new and useful ideas in exchange for a right to exclude for a limited term, over the life of which the inventor is entitled to prevent others from using the patented invention.

The right of exclusivity means nothing without injunctive relief. Inventors and their supporters rely on strong patent protection, including the availability of injunctive relief, when they undertake the often lengthy and costly work necessary to create, test, and disclose an idea. Without the right to enjoin an infringer, a patentee could not protect its right to exclude, the value of a patent would diminish, less

investment would flow into innovation, and many inventions would never be created. Petitioners and their *amici* want to maintain injunctive relief—but only for themselves and companies like theirs. They want such a rule because while they value their own patents, they fear the independent inventors who assert their rights. The value of the idea itself, however, does not and should not differ based upon who owns the patent or how owners choose to exercise their property rights. Petitioners seek nothing less than a dramatic departure from longstanding precedent.

Petitioners' concerns about patent quality are misplaced. Such an issue is squarely within the province of Congress, not this Court. Congress crafted a carefully-calibrated system, weighing the incentive to innovate against public access. Moreover, both the patent holder and the infringer can deny each other a benefit. And even by its own terms, petitioners' "solution" of devaluing the right to exclude for *all* patents is far worse than the supposed "problem" of poor patent quality for *some* patents. Devaluing the right to exclude promotes infringement because the alternative to the right to injunctive relief is compulsory licensing, something Congress has long rejected. Many infringers would find it economically rational to infringe and risk a court-determined license fee rather than negotiate with the patent holder. This Court should not upset a settled regime that has played such a fundamental role in driving this nation's long and historic growth.

## ARGUMENT

### I. PATENT EXCLUSIVITY PROMOTES PROGRESS

#### A. The Constitution Gives Patent Holders the Right to Exclude in Order to Reward Inventions

On August 22, 1787, John Fitch tested a new invention in Philadelphia: a mechanically-powered ship, a steamboat, that could travel against the current. John Fitch, *The Autobiogra-*

*phy of John Fitch* 178 (Frank D. Prager ed., 1976); *see also* Andrea Sutcliffe, *Steam: The Untold Story of America's First Great Invention* xi, 103-04 (2004); Harold Evans, *They Made America* 22-23 (2004). By happenstance, the Constitutional Convention met in Philadelphia that same summer. Recognizing the benefits that would come from demonstrating his steamboat to so distinguished an audience, Fitch made sure the delegates knew about the test. Many attended, either as guests aboard ship or watching from shore. Sutcliffe, *Steam*, at 49; Evans, *They Made America*, at 22-23.

When the experiment succeeded, Fitch gloated: "There was very few of the convention but called to see it, and [I] do not know whether I may except any but General Washington himself. . . ." Fitch, *Autobiography*, at 179. "Governour Randolph with several if not all of the Virginia members were pleased to give it every countenance they could." *Id.*[2] One delegate, William Samuel Johnson, wrote Fitch the next day:

> Dr. Johnson presents his compliments to Mr. Fitch, and assures him that the Exhibition yesterday gave the Gentlemen present much satisfaction. He himself, and he doubts not the other gentlemen will allways be happy to give him every continance & encouragement in their Power, which his Ingenuity and industry entitles him to.

*Id.*

On August 18—only four days before Fitch's test—both James Madison and Charles Pinckney had proposed for the first time a patents provision for the Constitution. 2 *Records of the Federal Convention of 1787* 324-25 (Max Farrand ed., 1911). The Convention unanimously referred the issue to the Committee of Detail the same day. *Id.* at 321-22. Two weeks later, on September 5, the Convention unanimously approved the Patents Clause, adopting language that remained

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[2] Later that year, Virginia gave Fitch the exclusive navigational right to steamboats in the Commonwealth. Sutcliffe, *supra*, at 51. It joined Delaware, New York, New Jersey, and Pennsylvania. *Id.* at 38, 73.

unchanged in the final version of the Constitution: "To promote the progress of science and useful arts by securing for limited times to Authors and Inventors the *exclusive right* to their respective writings and discoveries." *Id.* at 505 (emphasis added).

The right of exclusivity is fundamental to patents. Exclusivity allows inventors to profit from their discoveries by rewarding those who first disclose their ideas to the public. "The prize of an exclusive patent falls to the one who had the fortune to be first." *Radio Corp. of Am. v. Radio Eng'g Labs.*, 293 U.S. 1, 3 (1934) (Cardozo, J.); *see also Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980). As Justice Story recognized, "[t]he inventor has, during this period, a property in his inventions: a property which is often of very great value, and of which the law intended to give him the absolute enjoyment and possession." *Ex parte Wood*, 22 US. 603, 608 (1824).

The Constitution reflects a considered judgment that the best way "to promote the Progress of Science and useful Arts" is to give inventors one thing—the right to exclude for a limited time. The Founders understood that exclusivity was "a reward, an inducement, to bring forth new knowledge." *Graham v. John Deere Co.*, 383 U.S. 1, 9 (1966) (discussing the views of Thomas Jefferson). This Court continues to recognize that exclusivity gives inventors the incentive to create and innovate. *See, e.g., Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki*, 535 U.S. 722, 730 (2002) ("The patent laws 'promote the Progress of Science and useful Arts' by rewarding innovation with a temporary monopoly."); *Eldred v. Ashcroft*, 537 U.S. 186, 216 (2003) ("'[p]atents are not given as favors . . . but are meant to encourage invention by rewarding the inventor with the right, limited to a term of years fixed by the patent, to exclude others from the use of his invention'") (alteration in original) (quoting *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 (1964)).

This incentive to innovate led Abraham Lincoln—the only U.S. President named an inventor on a patent—to declare that "the introduction of Patent laws" was one of four discoveries "of peculiar value, on account of their great efficiency in facilitating all other inventions and discoveries." Abraham Lincoln, *Second Lecture on Discovery and Inventions* (1859), in 3 *Collected Works of Abraham Lincoln* 361 (Roy P. Basler ed., 1953). The others were writing, printing, and the discovery of America. *Id.* Lincoln concluded that the patent system "secured to the inventor, for a limited time, *the exclusive use* of his invention; and thereby added the fuel of *interest* to the *fire* of genius, in the discovery and production of new and useful things." *Id.* at 363 (first emphasis added). The patent system of Lincoln's time, just like the pre-revolutionary English patent system and the patent regime of today, encompassed the patentee's right to enjoin an infringer.

### B. Exclusivity Means Nothing Without Injunctive Relief

If the right to exclude means anything, it must include the right to "restrain others from manufacturing, using, or selling that which [the patentee] has invented." *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 510 (1917); *see also* Act of Apr. 10, 1790, ch. 7, § 1, 1 Stat. 109 (granting inventors "the sole and exclusive right and liberty of making, constructing, using, and vending to others to be used"); 35 U.S.C. § 154 (granting the patent holder "the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States").

1. The principle that the right to an injunction generally follows a finding of infringement is longstanding. In *Livingston v. Van Ingen*, 9 Johns. Cas. 507 (N.Y. Sup. Ct. 1812), the Supreme Court of New York had to decide whether to issue an injunction in a state patent case. Chancellor Kent traced

the history of injunctions in patent cases and concluded, "It is impossible, in any cause, to produce cases more in point or more controlling; and they put the authority and duty to grant an injunction, in a case of clear statute right, beyond contradiction." 9 Johns. at 586. "There are many other cases in the *English* chancery, to the like effect." *Id.*; *see also id.* at 587 ("[T]he law has been settled, in *England*, for the last seventy years at least."). Chancellor Kent noted that the law in the United States did not differ from the English tradition: "[U]nder the patent law of congress, [federal courts] have equally protected the right by injunction." *Id.* at 587. This Court emphasized the importance of Chancellor Kent's *Livingston* opinion when Justice Harlan wrote for the Court that *Livingston* "is entitled to great weight" because it is "an expression of opinion by an eminent jurist as to the nature and extent of rights secured by the Federal Constitution to inventors." *Patterson v. Kentucky*, 97 U.S. 501, 509 (1878).

From 1790 until 1819, federal courts only had equity jurisdiction in patent cases between citizens of diverse States. *Livingston v. Van Ingen*, 15 F. Cas. 697 (Livingston, Circuit Justice, C.C.N.Y. 1811) (No. 8420). As the Reporter's Note to that case stated, Congress later rectified "this defect of jurisdiction" by passing the Patent Act of 1819, 3 Stat. 481. 15 F. Cas. at 700. Thus, the 1819 Act merely fixed a jurisdictional anomaly by giving federal courts the power to issue injunctions in all cases. *Cf. Root v. Railway Co.*, 105 U.S. 189 (1881) (tracing the history of the equity provision). Where courts, whether federal or state, had the *power* to issue injunctive relief in patent cases, they did so as a matter of course.

The Federal Circuit below correctly stated this well-established "general rule . . . that a permanent injunction will issue once infringement and validity have been adjudged." *MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005). While the right to an injunction in patent cases is not absolute—and thus a federal court "may" grant an injunction, 35 U.S.C. § 283—the historical rule has been that

injunctions follow a judgment of infringement of a valid patent, except in those narrow circumstances where an injunction would adversely affect the public interest. As Professor Chisum writes, "for more than two hundred years, the result has almost always been that, after there has been a final determination of infringement, the prevailing patent owner will be granted a[n] injunction. . . . ." Donald S. Chisum et al., *Principles of Patent Law* 1342 (3d ed. 2004).

2. Petitioners' *amici* argue that because copyright law does not have a general right to injunctive relief, neither should patent law. *See, e.g.*, American Innovators' Alliance Br. at 19. But the *amici* are mistaken. Injunctions *do* normally issue, except for one situation peculiar to copyright law that only confirms the general right to injunctive relief in patent cases. As this Court observed in *Eldred v. Ashcroft*, "patents and copyrights do not entail the same exchange." 537 U.S. at 216. Unlike patent law, "copyright gives the holder no monopoly on any knowledge." *Id.* at 217. "A reader of an author's writing may make full use of any fact or idea she acquires from her reading. The grant of a patent, on the other hand, *does prevent full use by others* of the inventors' knowledge." *Id.* (emphasis added) (internal citations omitted).

Unlike patent law, copyright law represents a balance between spurring creation of works and protecting the free expression and exchange of ideas. *Id.* at 218-20. Copyright law, for example, observes a "fair use" principle which is both a constitutional necessity and a creature of statute. Fair use allows appropriation of a work for "criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research." 17 U.S.C. § 107; *see also Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575-76 (1994); *Harper & Row, Publishers, Inc. v. Nation Enters.* 471 U.S. 539, 560 (1985). Fair use has been part of copyright law "[f]rom the infancy of copyright protection." *Campbell*,

510 U.S. at 575. Patent law, by contrast, has no equivalent of fair use. Infringers are liable *whenever* they use the ideas embodied in a patent's claims.

Many of petitioners' *amici* cite *Campbell v. Acuff-Rose*, 510 U.S. at 569, as authority for a court's discretion to enter an injunction in the copyright context. But *Campbell* shows why injunctions in copyright cases are different from those in patent cases. In *Campbell*, this Court recognized the need for judicial discretion because "the fair use enquiry often requires close questions of judgment as to the extent of permissible borrowing in cases involving parodies." *Id.* at 578 n. 10. The Court then quoted Judge Leval's article on fair use, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1132 (1990), for the principle that while in the "'vast majority of cases, [an injunctive] remedy is justified because most infringements are simple piracy,' such cases are 'worlds apart from many of those raising reasonable contentions of fair use.'" 510 U.S. at 578 n. 10 (alteration in original). Thus, where fair use is a concern, courts have discretion to balance the interests of the copyright holder with the public interest in free expression. Because a patentee's right to exclude does not contain an equivalent "fair use" exception, concerns over the stifling of free expression are irrelevant. Patent infringers, unlike copyright infringers who argue fair use, have no reasonable basis to claim a right to appropriate patented material. Patent cases are like the "vast majority" of copyright cases where an injunctive remedy "is justified"—the infringer's behavior is "simple piracy."

### C. The Patent System Rewards *Disclosure*, Not Use

Petitioners and their *amici* argue vigorously that courts should be less willing to issue injunctions if the patent holder has not "used" the patent. As a preliminary matter, patent holders can "use" the patent by licensing—a result that allows the public access to the idea. But more fundamentally, their

proposed rule would upend the "carefully crafted bargain" that Congress has embodied in the patent system—granting a limited right to exclude others from practicing the invention in exchange for *disclosure of the idea* to the public. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150 (1989). Neither this Court nor Congress has ever conditioned a patent right upon "use." Rather, "the ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure." *Id.* at 151.

This Court consistently has held that "[t]he disclosure required by the Patent Act is 'the *quid pro quo*' of the right to exclude." *J.E.M. Ag. Supply, Inc. v. Pioneer Hi-Bred Int'l, Inc.*, 534 U.S. 124, 142 (2001) (quoting *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 484 (1974)). The patent holder receives the right to exclude for a limited time "on condition that he make *full disclosure for the benefit of the public* of the manner of making and using the invention." *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 255 (1945) (emphasis added). *See also Festo*, 535 U.S. at 736 ("[E]xclusive patent rights are given in exchange for disclosing the invention to the public."); *Graham v. John Deere Co.*, 383 U.S. at 11 (noting that Jefferson's "inherent problem was to develop some means of weeding out those inventions which would not be disclosed or devised but for the inducement of the patent"). For this reason, courts can declare a patent claim invalid if it fails to adequately disclose the invention. *See infra* Part III.A.2.

The patent laws, by contrast, *do not* make a patent's strength contingent upon use. "This Court has consistently held that failure of the patentee to make use of a patented invention does not affect the validity of the patent." *Special Equip. Co. v. Coe*, 324 U.S. 370, 378-79 (1945) (citing, among other cases, *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908)). Moreover, "Congress has frequently been asked to change the policy of the statutes as interpreted by this Court . . . if the patent is not used within a specified

time, but has not done so." *Special Equip.*, 324 U.S. at 379; *see also infra* Part III.B.2. By advocating a "use" restriction on the availability of injunctive relief, petitioners and their *amici* suggest that invention is less important than commercialization. However, their position ignores the patent bargain of *disclosure* for exclusivity. Thus, *Continental Paper Bag* is no anomaly. Rather, it represents the judgment of both this Court and Congress that a patent's set of legal privileges is contingent upon disclosure, not use.

## II. INVENTORS AND INVESTORS HAVE RELIED ON THE RIGHT TO EXCLUDE BY INJUNCTIVE RELIEF, REGARDLESS OF WHETHER THE PATENT IS "USED"

Inventors and their supporters rely on strong patent rights —including the right to stop a defendant from infringing by means of injunctive relief—to facilitate innovation and development of their ideas. Changing the longstanding standard for granting injunctions devalues patents by diminishing the right to exclude, and thereby undermines the incentives for inventors to innovate, and for inventors and their investors to buy, sell, and trade their patent rights. A patent, with its right to exclude, "is a property right; and like any property right, its boundaries should be clear." *Festo*, 535 U.S. at 730-31. "This clarity is essential to promote progress, because it enables efficient investment in innovation." *Id.*; *cf. Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996) (noting "the importance of uniformity in the treatment of a given patent"). Petitioners' proposed rule, which calls into question whether and when a patent holder can enforce the right to exclude, lacks clarity. By eroding clarity, petitioners' proposed rule undermines the incentives for investment in innovation. It diminishes a patent's value based upon factors external to the patent itself.

### A. Independent Inventors and Investors Have Counted on Patents to Protect Their Work and to Provide the Incentive to Develop Their Ideas for Two Centuries

Historically, strong patent rights have given inventors and their financial backers the incentive to create, test, and disclose ideas to the public. Before John Fitch tested his steamship in August 1787, he had to raise money after a series of early experiments on the engine did not work as well as intended. *See* Fitch, *supra*, at 173-75. Fitch, desperate to see if his idea would work, pleaded with his investors for more money. He pointed to a previous land patent that the Continental Congress had granted to a rival who was also trying to build a steamship. "I am justly entitled to the reward," Fitch told his supporters. "[W]hoever will patronize my scheme, will lay out their money on as sure a ground as the Honour of our Empire." *Id.* at 177. If he did not complete his steamship, he went on, he would make sure that the public knew why: "The Steam Boat has been a matter of great speculation and discourse, and I think my duty to inform the public that I am forced to quit it purely for the want of resources." *Id.* Fitch got his money.[3]

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[3] Fitch and his investors never made their money back. Despite his efforts, he did not receive a land patent from the Continental Congress. And although he received one of the first patents granted under the Constitution for the steamship, his rival, John Rumsey, received a patent on the steamship as well, with the same priority date, because of disputes about who was first to file. Sutcliffe, *supra*, at 112-15. Thus, neither Fitch nor Rumsey had patent exclusivity. For Fitch especially, his venture failed because he lost patent exclusivity. *Id.* at 119 ("Shortly after Jefferson gave Fitch and Rumsey patents dated the same day, most of the remaining Steamboat Company shareholders quit."). In 1793, "[b]ecause the Rumsey-Fitch priority battle was still fresh in the lawmakers' minds," Congress changed the law so that the person "who was first to invent, not first to file, would receive the patent." *Id.* at 118.

This same story has repeated itself throughout American history. In 1831, Cyrus McCormick developed his reaper, one that could harvest fields more quickly and efficiently than previous means. Although "the first reaper did not cut the grain perfectly," McCormick showed it to the public the next year. William T. Hutchinson, *Cyrus Hall McCormick* 84 (1930). An onlooker told him "that the machine was worth $100,000," but McCormick would have been "willing to sell all rights in his reaper for half that amount." *Id.* at 87. "Nevertheless before the harvest was over he was dreaming of one million dollars as the fruit of his invention." *Id.* In 1833, as he tested his new reaper in front of even more people, he decided to apply for a patent. *Id.* at 91.

Samuel Morse was able to develop his telegraph because financial backers saw in it the promise of financial rewards. After witnessing an early demonstration of Morse's experiments in 1837, one of his investors "furnished Morse with the means for an experiment on a larger scale." John Trowbridge, *Samuel Finley Breese Morse* 82 (1901). Two years earlier, Morse was so poor that he could not afford to buy simple and affordable instruments to continue his tests. *Id.* at 86. Concurrent with receiving outside investment, Morse "sent to Washington a preliminary request for a patent." Carlton Mabee, *The American Leonardo* 195 (1943); *see also id.* at 193-94. Later, Morse and his partners entertained offers to sell the patent rights, although he did not sell. *Id.* at 284. Instead, he licensed his invention to companies wishing to develop telegraph lines. *Id.* at 286-88. When one of his licensees extended a line farther than the contract permitted by using a rival telegraph technology, Morse sued for patent infringement. Morse claimed that his patent encompassed the rival technology. *Id.* at 296-300. Morse prevailed, both on the validity of his patent and on infringement. The court granted injunctive relief. *Id.* at 307-08.

Thomas Edison said, "I'm an inventor. . . . I measure everything I do by the size of the silver dollar. If it don't come

up to that standard then I know it's no good." Matthew Josephson, *Edison: A Biography* 283 (2d ed. 1992). In his early career, Edison, "[l]ike most young inventors . . . had technical know-how but lacked financial resources for experiments and patent expenses. . . . [H]e found local capitalists and corporate officials who were willing to support his inventive efforts." Paul Israel, *Edison: A Life of Invention* 41-42 (1998). The investors who funded Edison's first patent, an electronic vote recorder, lost their money when the invention was a business failure. *See* Israel, *supra*, at 41-42. In those early years, some of his ideas did not come to fruition because of a lack of capital. *Id.* at 43-44. As Edison became successful, his income derived in large part from "payment[s] for some important patent." Josephson, *supra*, at 284; *see also* Israel, *supra*, at 102, 108, 136, 148. Edison often relied on "investors . . . [to] purchase the patent rights and market the inventions." Israel, *supra*, at 149. He and his investors founded a "patent-holding company" for his electric light patents. Josephson, *supra*, at 291. After his company prevailed in protracted patent litigation, Edison's company merged with one of the primary infringers of the incandescent light patents to form General Electric. *See id.* at 358-64.

Independent inventors in the twentieth century also have relied on strong patent protection to discover, experiment, and create. In 1922, 14-year old Philo Farnsworth had an idea that would lead to the creation of television. To translate that idea into a patent took eight years and multiple rounds of investment. Paul Schatzkin, *The Boy Who Invented Television: A Story of Inspiration, Persistence and Quiet Passion* 18-19, 32-47, 62-65, 75-78, 93-94 (2002). One of the first images that the television produced was a dollar sign ($), as Farnsworth broadcast that image to the investors he was trying to lure. *Id.* at 63. When his patents issued, Farnsworth and his investors were "jubilant . . . . [T]hey were confident they had the means to find licensees who would pay royalties for the use of those patents." *Id.* at 93. After receiving his

patents, Farnsworth's company offered non-exclusive licenses to those who wanted to use the technology. *Id.* at 100, 167. The largest company at the time, RCA, contested the patents, and paid a royalty only after the company realized that it would not be able to sell televisions without obtaining a license. Elma G. Farnsworth, *Distant Vision: Romance and Discovery on an Invisible Frontier* 138 (1989). Likewise, George Washington Carver used the patent system to capture the value of his innovations through finding investors to back his agricultural and industrial ideas. Linda O. McMurry, *George Washington Carver: Scientist and Symbol* 188-90 (1981).

The *amici* on this brief have similar stories. For example, Raymond Damadian, the inventor of MRI, could not find funding for his invention. The New York City Health Research Council denied Damadian's request for research funds, calling the prospect of a full-body scan "meaningless." Evans, *They Made America*, at 445. Companies refused to fund the idea because they concluded "it was not possible to build a full-body scanner." *Id.* at 446. Although he had received a patent in 1974, his struggle for funding continued as companies still did not see the commercial value of the invention. *Id.* at 448-49. Dāmadian then formed his own company. *Id.* at 451.

### B. Independent Inventors and Their Investors Rely on the Patent's Right to Exclude to Protect Their Property

The process of innovation, creation, and development is no less important today than it has been historically. Individuals and small entities remain "a significant source of innovative products and services." Wendy H. Schacht & John R. Thomas, *Patent Reform: Innovation Issues*, CRS Report for Congress, at CRS-10 (July 15, 2005). Independent inventors, much more than their corporate counterparts, depend on patents. Experimentation takes time and money.

As was true in the nineteenth century, many independent inventors still raise the necessary funding by selling interests in their ventures to financial backers willing to take a risk on an unproven, often still-unpatented, idea. *Cf. Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979) ("Permitting inventors to make enforceable agreements licensing the use of their inventions in return for royalties provides an additional incentive to invention."). These inventors join laboratories that give them access to equipment and resources in exchange for a share of the company. They create business plans in order to convince venture capitalists to invest in an unproven product. Or they receive backing from companies that encourage the development of ideas by paying them to create, in exchange for an ownership interest in the idea. *See generally* Ronald J. Mann, *Do Patents Facilitate Financing in the Software Industry*, 83 Tex. L. Rev. 961, 974-76 (2005) (discussing the role of patent rights in facilitating investment in the software industry); Richard S. Gruner, *Corporate Patents: Optimizing Organizational Responses To Innovation Opportunities And Invention Discoveries*, 10 Marq. Intell. Prop. L. Rev. 1, 11 (2006) ("With one or more patents covering a key bit of technology, innovators can promise investors a stake in a particular, exclusive marketing opportunity as bounded by the technology controlled by the patent rights and the patent holder's ability to exclude others from this opportunity through the exercise of those rights.").

In all these examples, both the inventor and the investor rely on the patent system to protect their investment of time and money. Their goal is to patent, to receive the right of exclusivity in exchange for full disclosure. Indeed, not only are inventors with the backing of venture capitalists more likely to patent, it is more likely that the resulting patent will be valuable. *See* Samuel Kortum & Josh Lerner, *Assessing the Contribution of Venture Capital to Innovation*, 31 RAND J. Econ. 674, 674-75, 689-91 (2000). Often inventors and their investors proceed without any certain knowledge that

they will ever "use" the patent in the sense that they will bring the product the market. Instead, they rely on the certainty that if they are first to disclose new ideas, they will win the temporary right to exclude others from using the invention and can "use" the patent by developing it, marketing it, or licensing it in any number of ways. *Cf.* Mark A. Lemley, *Reconceiving Patents In The Age Of Venture Capital*, 4 J. Small & Emerging Bus. L. 137, 143 (2000) ("Venture capitalists love patents . . . ."). Inventors and their early backers can then choose to develop the idea themselves or sell their rights to a host of other groups—universities, large corporations, pre-product companies, non-practicing entities, or invention-oriented companies. Each of them may pursue a slightly different strategy to capture the value of the patent. Some may choose to practice it, some may choose to market it, and some may choose to license it. But the value of the idea itself does not and should not differ based upon who owns the patent, or how owners choose to exercise their property rights.

A patent—like any piece of property—often changes hands several times as companies explore different ways to make money from and "use" the original, novel idea. *See, e.g.*, Don Clark, *Investors See Promise in Large-Scale Public Patent Auctions*, Wall St. J., March 9, 2006, at B1. Venture capitalists, angel investors, corporations, and universities require strong intellectual property protection if they are to invest in a small company whose only asset is an idea. *See, e.g.*, Matthew J. Dowd et al., *Nanotechnology and the Best Mode*, 2 Nanotechnology L. & Bus. 238, 252 (2005) (noting that before venture capitalists invest in small nanotechnology start-ups, they try to determine the strength of the company's patents). While some of these start-up companies succeed beyond any reasonable expectation, others encounter more difficulty for a host of reasons—the test results point in a different direction, another company has entered the same market, industry innovation has outpaced the invention, the

market is not ready for the idea, or the invention no longer serves a market need. Ideas that fail in the market when first attempted, like the MRI, often succeed subsequently when market and technological factors mature.

Investors recognize such pitfalls, yet still risk their capital. They do so, of course, because of the possibility that the company will succeed in spite of the odds. Their ability to profit from success depends on their ability to enjoy the same legal protection for innovative ideas as anyone else, regardless of how or whether they "use" the patented invention. They take comfort in knowing that the patent itself has value —value that can help them recoup the investment. *Cf.* Lemley, *supra*, at 144 (noting a study "suggesting that there is a strong positive relationship between venture capital financing and patenting").

The proposals of petitioners and their *amici* to limit the right to obtain injunctive relief severely undermine the economic incentives of independent inventors. The right to injunctive relief is integral to a patent's value. Economically rational investors will be less willing to invest in companies with patented technology where the right to exclude is less valuable for them than it is for others. In a very direct way, then, the strength and predictability of patent laws in this country correlates to the amount of investment in innovative businesses and industries.

### C. Corporate Strategies For Use of Patents Vary

Firms use patents differently. How a company values patents and how it uses them often drives its corporate position about issues such as those before the Court in this case. Broadly speaking, corporate patent strategies divide into three categories.

*First*, for many companies, patents are a vital tool in protecting and driving innovation in the company's products. These firms range across industries and file patents to ensure that they have the exclusive right to the idea they created.

*Second*, for some firms, patents are valuable primarily as defensive tools. Many large corporations have "acquire[d] large numbers of patents . . . for use only to keep others' patent threats at bay." *A Market For Ideas*, The Economist, October 22, 2005, at 4. When defensive use is a company's objective, patent exclusivity normally is not important. The goal of defensive patenting is to reserve patent assertions for counterclaims against infringement claims by others.

"Defensive" use is as self-serving as any other exploitation of patents. Companies with large defensive portfolios can infringe with impunity the patents of any company with products on which the defensive portfolio reads. Their goal is to invent sufficiently to be able to freely appropriate the inventions of others in their own products. In some cases, companies with large defensive portfolios enter into a formal cross-license agreement with each other. Cross-licenses create a "club" of entrenched competitors, making entry by start-ups or new entrants more difficult. *See* Carl Shapiro, *Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard Setting*, in *Innovation Policy and the Economy* 119, 130-33 (Adam B. Jaffe et al. eds., 2001); *see also id.* at 133 (describing an "IP for IP" policy whereby "powerful firms . . . establish private legal regimes that favor themselves and make it more difficult for upstarts to challenge the dominance of current market leaders"). In effect, the value that these companies derive from their patent portfolio stems from being able to infringe other patents.

*Third*, many companies simply do not value patents or find an important role for them in their business model. Their market value may derive instead from economies of scale, network effects, customer service, trademark or brand value, copyrights, the value of the goods they sell, first-to-market advantages, or other factors unrelated to patents. They do not own a large patent portfolio and, in large measure, see patents only as a hindrance to their business model. They are the modern-day equivalent of the companies that copied Morse's

telegraph or Edison's light bulb. In this case, for example, eBay holds a sum total of 11 issued U.S. patents. *See* USPTO database inquiry, available at http://patft.uspto.gov/netahtml/search-bool.html (by entering "eBay" into the "assignee name" field.) As a comparison, the inventors on this brief alone own hundreds of patents, a company like Qualcomm owns over 1,500, and General Electric owns tens of thousands. *See id.* (by entering the relevant names in the search fields).

This strategy is not necessarily wrong from a business perspective. eBay, for example, is tremendously successful today because it was the first auction site to gain a large following and, partly through the network effect, has become "one of the largest online marketplaces." Pet. Brief at 3. One risk of being first to market, however, is infringing the patent rights of others. MercExchange filed its first patent in April 1995. eBay did not even "launch[ ]" until September 1995. *Id.* Now, however, eBay wishes to revisit its trade-off between being first to market and first to invent, and reduce its exposure from rushing to market. But denigrating the right to exclude devalues the rights of those who invented first and encourages other companies to ignore patents.

Many of petitioners' *amici* either use patents defensively or see patents only as a hindrance. Those companies that use patents defensively fear patent holders who assert their patent rights and are not intimidated by the infringer's large portfolio. The infringer with a defensive use strategy wields its patent portfolio as a club against those plaintiffs who threaten to enforce their patent rights. *See* Gideon Parchomovsky and R. Polk Wagner, *Patent Portfolios*, 154 U. Pa. L. Rev. 1, 26-27 (2005) ("[T]he defensive patenting theory holds that firms acquire patents to ward off possible lawsuits by using the patents as bargaining chips with potential plaintiffs."). This tactic works against many potential plaintiffs, especially other large companies who also use patents defensively, but it is less successful against independent inventors and others whose

businesses are not dependent on products that may infringe their rivals' patent portfolio. Because defensive use does not work against all patent holders, these companies seek to change the rules and decrease their potential exposure for infringing a valid patent by diminishing the right to exclude.

Some *amici*, like Intel, Micron, and IBM, hold a vast number of patents, which they also use. *See* Anne Krishnan, *IBM Tops in Patents in 2005*, The Raleigh News and Observer, Jan. 10, 2006, at D1. Many of them recognize the importance of injunctive relief—so long as they are the ones seeking it. They would have this Court create a balancing test that turns on factors that correspond to their operations, thereby enabling themselves to obtain injunctive relief while making it more difficult for independent inventors to obtain injunctions against them. The factors these *amici* propose for consideration include whether the patentee makes a product; whether a competitor's unauthorized use would reduce the patentee's market share; whether patentees grant exclusive licenses to their patents; and even whether the patentee's business depends on providing partners with exclusive access to a patented invention. *See* IBM Brief at 16; Research In Motion Brief at 11; Time Warner *et al.* Brief at 28; Yahoo! Brief at 22-23; American Innovators' Alliance Br. at 22.

Not only would such a customized rule diminish the incentive to innovate, it is inimical to the independent inventor, amounting to a "Heads, I win; tails, you lose" system for the petitioners and their *amici*. They and other companies like them would have the ability to obtain injunctions on a routine basis; independent inventors, by contrast, would not. What they seek is nothing less than institutionalized unfairness, tilting the system to reward behavior that devalues patent rights.

Petitioners' *amici* complain of "strategic" behavior by patentees. *See, e.g.*, Yahoo! Br. at 22. But their own conduct is just as "strategic" as that of any other corporation. For exam-

ple, Yahoo recently purchased patents and asserted them against one of its chief rivals, Google. The parties settled as Google was preparing its planned initial public offering. *See* Verne Kopytoff, *Google Settles 2 Disputes Over Patent Infringement; Yahoo To Accept 2.7 Million Shares Of Its Rival's Stock*, The San Francisco Chronicle, August 10, 2004, at C1 ("Google would have been under more pressure to deal with this in the run-up to the IPO.") (internal quotations omitted). Yahoo's rule would allow it to purchase patents from another party, assert them in litigation, and retain the right to injunctive relief. The rule for everyone else should be no different. The right to exclude should not depend on the size or resources of the patentee, nor on which strategy the patentee decides to pursue in capturing the value of its intellectual property (unless, of course, the patent holder has engaged in patent misuse under 35 U.S.C. § 271(d)). Rather, as a general rule, the injunctive remedy should be available to all who have proven infringement of a valid patent.

## III. PETITIONERS' ARGUMENTS ARE MISDIRECTED AND WOULD LEAD TO COMPULSORY LICENSING

### A. Petitioners' Critique of the Patent System is Misplaced, Overbroad, and Invalid

Petitioners and many of their *amici* not only denigrate the right to exclude, but also critique the patent system more generally. Their criticism is off the mark for four distinct reasons.

1. Patent reform is an issue for the Legislative and Executive Branches, not for this Court. Petitioners and their *amici* seek a fundamental change in patent policy, a change that turns on precisely the kind of weighing of interests and gauging of consequences best left to Congress. This Court has recognized the importance of leaving decisions about alteration of the patent system to Congress. "[C]ourts must be cautious before adopting changes that disrupt the settled

expectations of the inventing community . . . . The responsibility for changing [patent doctrine] rests with Congress. Fundamental alterations in these rules risk destroying the legitimate expectations of inventors in their property." *Festo*, 535 U.S. at 739.

Questions concerning the efficacy of the patent system or the resultant quality of issued patents are legislative matters. Congress has created a system to enforce intellectual property rights—one that consistently values disclosure above use—and the respondent has pursued remedies under that regime. As this case shows, reasonable parties may differ on which policies best encourage innovation. But the "pull, haul, and trade" of patent reform is an issue squarely within Congress's prerogative. *Johnson v. DeGrandy*, 512 U.S. 997, 1020 (1994). Any change of this magnitude, so dramatically and pervasively affecting the incentives to innovate, should not be implemented by judicial fiat.[4]

2. Congress has crafted a system to ensure that inventors may obtain and then enforce patents only if they disclose new, useful, and non-obvious ideas. That system places substantial burdens on inventors before they ever reach the point of seeking injunctive relief. The statutory requirements for issuance are exacting. The claimed invention must be novel (35 U.S.C. § 102), useful (35 U.S.C. § 101), and non-obvious (35 U.S.C. § 103). Vague ideas are not patentable; inventors must disclose their inventions with sufficient detail to enable others to make use of them without undue experimentation.

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[4] Petitioners cite *State Oil v. Khan*, 522 U.S. 3 (1997), as an example of this Court overturning a longstanding precedent in a field subject to congressional oversight. But *Khan* was specifically limited to antitrust. *Id.* at 20. This Court has no similar rule regarding patent law, and indeed none is justified. Congress shows no reluctance to evaluate proposals for patent reform, such as H.R. 2795, a sweeping patent reform bill introduced last year. See H.R. 2795, 109th Congress (1st Sess. 2005). Moreover, on a policy level, the reasons justifying injunctive relief now are just as strong as they have been historically. *See supra* Parts I and II.

The specification must have a written description of the invention that explains how to make and use it cogently enough to enable one skilled in the art to practice it, and must also disclose the inventor's judgment about the best mode of carrying out the invention. 35 U.S.C. § 112; *see also Markman*, 517 U.S. at 373. These requirements—called written description, enablement, and best mode—implement the bargain embodied in the patent system: full disclosure in exchange for an exclusive right. Patentability is not concerned with whether inventors seek to mass produce their inventions or use them at all, but instead whether their disclosure will enable the public to make productive use of them.

Inventors often must turn to the court system to obtain the remuneration owed to them by infringers. The decision to litigate over a patent is not an easy one. Success or failure rarely turns solely on the plaintiff's ability to prove infringement. In virtually every case, the defendant attacks the validity or enforceability of the asserted patent on any number of grounds—obviousness, anticipation, the on-sale bar, written description, enablement, best mode, and inequitable conduct, to name a few. Even after proving infringement of a valid and enforceable patent, damages can be limited or completely barred because of any of the following missteps by the patentee: failure to mark the product pursuant to 35 U.S.C. § 287; delay in prosecuting the claims, or equitable estoppel. By choosing to litigate, inventors assume the burden of defending the patent claims. And because a finding of patent invalidity in any one lawsuit is binding against the patent holder in others, *Blonder-Tongue Labs. v. University of Illinois Found.*, 402 U.S. 313, 350 (1971), patent holders risk losing all their rights any time they sue. It is only after the patent is adjudged valid, enforceable, and infringed that the Court may enter any relief.

After a patent holder sues, modern-day patent defendants often open a second front by petitioning the PTO to reexamine the patents asserted against them. *See* 35 U.S.C. § 302

("Any person at any time may file a request for reexamination . . . ."); *see also* 35 U.S.C. § 311-318. In this case, for example, eBay decided to seek a reexamination of the patents-in-suit, after a judgment that the patents were valid and that it willfully infringed.[5] The PTO routinely grants an initial request for a re-examination of the patent. *See* United States Patent and Trademark Office, *Ex Parte* Reexamination Filing Data, June 30, 2005 (noting that ninety-one percent of *ex parte* re-examination applications, and ninety-six percent of *inter partes* applications, are granted). Yet at the end of re-examination proceedings, the PTO cancels only twelve percent of patents. *Id.*

3. The current patent system allows a patent holder to compete on equal terms with patent infringers. While an inventor enjoys the right to exclude, nothing prevents others from working around the metes and bounds disclosed in the patent. A successful work-around obviates any injunction and excludes any ability for the patentee to earn licensing fees or otherwise make a claim.

*Each player* thus brings a degree of leverage to the table in licensing negotiations. Each has the ability to deny the other the benefit inherent in the patent. Absent an agreement, they would also deny themselves such benefits, for without a mutually acceptable licensing arrangement, there is neither commercial use nor revenue. This balanced bargaining position strongly encourages each party to reach agreement. Remedial property rules—those that allow a plaintiff to enjoin a defendant—should govern so long as transaction costs to bargaining are low. *See* R.H. Coase, *The Problem of*

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[5] In this case, petitioners requested a reexamination based on the same prior art that had already been rejected by the jury. C.A. App. A66834-66850. Indeed, this practice is a common one in re-exams. Whether the PTO can cancel a patent that has been declared valid by the final judgment of an Article III court raises serious constitutional concerns. *See, e.g., Hayburn's Case*, 2 U.S. 409 (2 Dall.) 409 (1792).

*Social Cost*, 3 J.L. & Econ. 1 (1960) (teaching that when transactions are costless, the rule of law does not matter); Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 Harv. L. Rev. 1089, 1116-17 (1972). Where such transaction costs are low, negotiated resolutions remain feasible and efficient. In patent cases, transaction costs are likely to be low because the two parties have good information, and normally some shared understanding, about the invention at issue.

Petitioners and their *amici* also complain that the threat of an injunction forces them to overpay for minor inventions. *See, e.g.*, Pet. Brief at 47; Yahoo! Brief at 11. Yet they have provided no empirical support for what is fundamentally a fact-based argument. In addition, the contention is economically illogical. If an invention truly is trivial with respect to the product or system in which the defendant uses it, then an economically rational defendant would design around the invention going forward rather than overpay to avoid an injunction. On the other hand, if an adjudicated infringer cannot design around the invention, then it must have some critical importance not admitted by the infringer.

4. Even by its own terms, petitioners' "solution"—devaluing the right to exclude for *all* patents—is far worse than the supposed "problem"—a poor system that allows the PTO to grant *some* bad patents. As this case arrives in this Court, the patent is valid, and the defendants have willfully infringed. If the petitioners and their *amici* are genuinely concerned about poorly-issued patents, they should seek to change the types of patents that are issued, or reform the PTO. But it is inappropriate to diminish the value of all patents because they think the PTO should not have granted a percentage of patents, particularly because changing the standard of injunctive relief will do nothing to fix any professed concerns about patent quality.

### B. Diluting Injunctive Relief Would Lead to Compulsory Licensing, a Result Inconsistent with Congressional Policy

1. The alternative to injunctive relief is compulsory licensing. The *Foster* case cited by petitioners forthrightly acknowledges this fact. *Foster v. American Mach. & Foundry Co.*, 492 F.2d 1317, 1319, 1324 (2d Cir. 1974) (stating that "the District Court avoided ordering a cessation of business to the benefit of neither party by compensating appellant in the form of a compulsory license with royalties"). Damages in the form of a reasonable royalty, however, do not prevent further infringement and do not protect the patentee's right to exclude.

Petitioners suggest that independent inventors have no need for injunctive relief because their right to exclude is protected by a damages award that may include "future losses." Pet. Brief at 23. But future lost profits damages are only available to a patentee who sells products. *See Shockley v. Arcan, Inc.*, 248 F.3d 1349 (Fed. Cir. 2001). Because independent inventors often cannot recover future lost profits, injunctive relief is critically important to them. Under the petitioners' proposed regime, even after an independent inventor has proven infringement of a valid patent, the defendant would be free to infringe again, leaving the patentee with no recourse other than another expensive and time-consuming lawsuit. And even then, petitioners' proposed rule would again deny patent holders injunctive relief.

The injunctive remedy is "designed to deter." *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944). Eliminating effective injunctive relief removes the deterrent and actually promotes infringement by encouraging adjudicated infringers to continue violating the patentee's rights post-judgment. So long as an infringer's expected profits from infringement exceed the expected penalties, it is economically rational for the defendant to infringe—and indeed to continue infringing even

after an adverse judgment. *See* F. Scott Kieff & Troy A. Paredes, *F. Hodge O'Neal Corporate and Securities Law Symposium: An Approach to Intellectual Property, Bankruptcy, and Corporate Control*, 82 Wash. U. L. Q. 1313, 1320 (2004). If the only consequence of losing an infringement case is to pay a reasonable royalty, many companies will choose to infringe and assume the risk of litigation, knowing that at worst the Court will only require them to remit to the patentee a reasonable royalty. For all intents and purposes, that is compulsory licensing, discriminatorily imposed on some but not all patentees depending on whether they "use" their patents or on other factors external to the patent rights themselves. Particularly when the patent holder is an individual or a small company, the infringer can then engage in a drawn-out court struggle against a plaintiff with a fraction of the resources.

As early as 1812, Chancellor Kent recognized these incentives and noted that "unless the injunction was granted, any person might violate the patent, and the consequence would be, that the patentee would be harassed with litigation." *Livingston*, 9 Johns. at 587. Furthermore, limiting the patentee's remedy to damages means that courts and juries will decide the value of the patent, not the patentee and the infringer—the parties most knowledgeable about the true value. *See In re Mahurkar Double Lumen Hemodialysis Cathater Patent Litig.*, 831 F. Supp. 1354, 1397 (N.D. Ill. 1993) (Easterbrook, J.). A rule that makes damages the only practically available remedy risks undervaluing inventions by leaving to the courts or juries complicated valuation judgments better left to the bargaining of the parties themselves. Moreover, price often is just one of many complicated terms in a license agreement. Left to their own devices, parties can reach a more mutually beneficial agreement than any remedy a court might impose.

Even under the current system, some corporations admit that they intentionally do not review the publicly available

database of issued patents and patent applications. In the case at bar, both eBay and Half.com failed to conduct a patent clearance investigation or obtain an opinion of counsel. JA 446-47, 450-53; Pet. App. 35a. Likewise, Intel Corporation eschews patent clearances in its publicly stated Patent Licensing Practices. "Unless otherwise agreed to by Intel in writing, *Intel does not perform patent searches.*" http://www.intel.com/standards/licensing.htm (emphasis added). The Federal Trade Commission has noted that the practice is widespread. Federal Trade Comm'n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* ch. 4, 29 & n. 203 (2003).

This studied ignorance virtually ensures that companies will face some patent liability. Petitioners cannot now complain about the cost of patent infringement when their policy is to turn a blind eye to infringement in the first instance. If they want to *try* to avoid liability, they should at least do a patent search. Many companies argue that they do not conduct patent searches out of fear that it will lead to a finding of willful infringement. *Id.* Such a concern is puzzling. If the company finds that a patent reads upon what they propose to do, they should either negotiate a license or work around the patent. Moreover, while the petitioners and their *amici* complain about the cost of injunctions, they overlook their own balance sheets. Under the current regime, companies selling goods that infringe nevertheless derive a substantial portion of their profits from the sales of infringing products. Yet they want a rule that allows them to profit even more, diminishing the patent rights of those who invented it first.

2. Congress consistently has rejected attempts to mandate compulsory licensing. Indeed, in 1945 this Court commented: "Congress was asked as early as 1877, and frequently since, to adopt a system of compulsory licensing of patents. It has failed to enact these proposals into law."

*Hartford-Empire Co. v. United States*, 323 U.S. 386, 417 (1945) (citing prior attempts). The rejection of such requests has continued since *Hartford-Empire*. *See, e.g.*, H.R. 1708, 107th Cong. (1st Sess. 2001); H.R. 2927, 106th Cong. (1st Sess. 1999).

Petitioners seek a fundamental change in the patent system that could destroy the incentives to invest in innovation. This Court should not short-circuit the legislative process, and award to petitioners and their *amici* what so far the Legislative Branch has refused to give them. The proper forum in which to seek such a fundamental change—one that would upend centuries of settled expectations—is Congress.

## CONCLUSION

The judgment of the court of appeals should be affirmed.

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March 10, 2006

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